

Message Text

CONFIDENTIAL

PAGE 01 LA PAZ 04106 01 OF 03 242001Z
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 SCS-06 HA-05 GSA-02 AID-05
DLOS-09 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03
NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 OMB-01
TRSE-00 ACDA-12 /116 W
-----104602 242053Z /64

O R 241940Z MAY 78
FM AMEMBASSY LA PAZ
TO AMEMBASSY BUENOS AIRES IMMEDIATE
INFO SECSTATE WASHDC 901

C O N F I D E N T I A L SECTION 1 OF 3 LA PAZ 4106

E.O. 11652: GDS
TAGS: OVIP, BL
SUBJECT: UNDER SECRETARY NEWSOM'S VISIT TO BOLIVIA - PART I

REF: STATE 128540

1. THE FOLLOWING IS BACKGROUND INFORMATION ON THE MAJOR BOLIVIANS YOU WILL MEET AND THE ISSUES AT STAKE, WHICH YOU MAY WANT TO READ ON THE AIRPLANE ENROUTE TO LA PAZ. THERE IS SOME OVERLAP WITH THE BRIEFING PROVIDED YOU IN WASHINGTON, BUT I BELIEVE YOU WILL FIND THE ADDITIONAL DETAIL IN FULL CONTEXT USEFUL.

2. OBJECTIVES AND OVERVIEW OF VISIT
YOUR VISIT TO LA PAZ MAY 25 AND 26 OFFERS A SIGNIFICANT OPPORTUNITY TO ADVANCE US OBJECTIVES IN BOLIVIA
--TO ENCOURAGE PRESIDENT BANZER AND BOLIVIAN MILITARY LEADERS' TO STICK TO THEIR DECISION TO RETURN BOLIVIA TO CIVILIAN, CONSTITUTIONAL GOVERNMENT VIA JULY 9 ELECTIONS;
--TO ENCOURAGE SELECTED CIVILIAN POLITICIANS TO COOPERATE IN MAKING DEMOCRACY WORK IN BOLIVIA.
--TO URGE THE GOB TO CONTRIBUTE TO REGIONAL STABILITY BY CONTINUING ITS EXEMPLARY RESTRAINT TO MAJOR ARMS PURCHASES (ABOUT WHICH THE MILITARY IS HAVING SECOND THOUGHTS), AND BY FOLLOW-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 04106 01 OF 03 242001Z

ING A POLICY OF DIPLOMATIC NEGOTIATIONS IN PURSUING ITS GOALS OF AN OUTLET TO THE SEA.

RETURN TO DEMOCRATIC GOVERNMENT WILL NOT ONLY CONSOLIDATE BOLIVIA'S DRAMATIC PROGRESS ON HUMAN RIGHTS BUT ALSO SET AN EXAMPPLY FOR THE REGION. OUR MEANS TO ENCOURAGE THE PROCESS ARE
(1) PUBLIC US SUPPORT FOR ELECTIONS (JIMMY CARTER'S BLESSING

DOES MATTER IN BOLIVIA), AND (2) ASSURANCE OF US ECONOMIC AND POLITICAL SUPPORT FOR THE ELECTED GOVERNMENT--TO HELP BELIE THE MYTH THAT DEMOCRACY WILL BE DISASTER FOR THE NATION.

DURING HIS SEVEN-YEAR RULE PRESIDENT BANZER HAS TIGHTLY RESTRICTED ALL MAJOR ARMS PURCHASES. BUT RECENTLY HIS CONTROL OVER THE MILITARY HAS DECLINED SHARPLY. MOREOVER, WITH THEIR DEPARTURE FROM GOVERNMENT, THE MILITARY'S AMOUR PROPRE WILL REQUIRE SOME NEW EQUIPMENT, AND AN ELECTED PRESIDENT WILL FIND IT DIFFICULT TO TURN THEM DOWN. THE MILITARY IS NOW DEBATING WHETHER EQUIPMENT PURCHASES SHOULD EMPHASIZE ON THE ONE HAND CONSTRUCTION, TRANSPORT AND CIVIC ACTION PLUS LIGHT INFANTRY EQUIPMENT OR, ON THE OTHER HAND, EXPENSIVE HEAVY WEAPONS SUCH AS JET FIGHTERS AND ARMOR. WE CAN INFLUENCE THIS DEBATE BY OUR OVERALL ATTITUDE AND BY OUR WILLINGNESS TO SELL EQUIPMENT AND PROVIDE FMS CREDITS AND IMET TRAINING TO SUPPORT THE CIVIC ACTION/LIGHT INFANTRY OPTION. SOME OF THE PRESSURE FOR THE OTHER OPTION COMES FROM THE GOB'S FRUSTRATION WITH THE LACK OF RESULTS IN ITS EFFORT TO NEGOTIATE A SEA OUTLET, THE RESULTING BREAK IN RELATIONS WITH CHILE IN MARCH, AND A GENERALLY MORE BELLIGERENT APPROACH TO CHILE. THIS POSTURING DOES NOT CONTRIBUTE TO REGIONAL STABILITY, SO SOME GENTLE PERSUASION IS NEEDED.

PSYCHOLOGICALLY, BOLIVIANS HAVE A REALISTIC APPRECIATION OF THEIR DEPENDENCE ON THE OUTSIDE WORLD, PARTICULARLY THE

CONFIDENTIAL

PAGE 03 LA PAZ 04106 01 OF 03 242001Z

UNITED STATES, TO

- ASSURE A GOOD PRICE FOR THEIR TIN (HALF THEIR EXPORTS) BY CAREFUL MANAGEMENT OF OUR HUGE GSA STOCKS AND THROUGH OUR KEY ROLE IN THE INTERNATIONAL TIN COUNCIL;
- HELP FINANCE THEIR GROWTH (BOLIVIA IS OUR LARGEST AID RECIPIENT IN LATIN AMERICA);
- HELP THEM OBTAIN A SOVERIGN OUTLET TO THE SEA;
- SUPPORT THE INTEGRITY OF A DEFENSELESS COUNTRY AMONG MUCH STRONGER NEIGHBORS.

THE RHETORIC OF EQUAL PARTNERSHIP IS NOT CONSIDERED CREDIBLE HERE. YET THE IMAGE OF THE US IN BOLIVIA IS GOOD-- THAT OF A CONSISTENT SUPPORTER THROUGH YEARS OF REVOLUTIONARY GOVERNMENT AND REASONABLY BENEVOLENT MILITARY GOVERNMENTS. THE MAIN ALLERGIC POINT IS TIN, WHERE ALL BOLIVIANS FEEL THAT THE PRESIDENT'S SUPPORT FOR DISPOSAL OF UP TO 30,000 TONS OF GSA TIN IS AN UNPROVOKED FINGER IN THE EYE OF BOLIVIA'S ECONOMIC AND POLITICAL STABILITY.

PRESIDENT BANZER IS WIDELY ADMIRER FOR THE POLITICAL PEACE AND ECONOMIC GROWTH HIS GOVERNMENT HAS BROUGHT. HIS PRINCIPAL MOTIVE IN CALLING ELECTIONS WAS TO HAVE HIMSELF

ELECTED PRESIDENT UNTIL 1982. WHEN HE FOUND HE HAD INSUFFICIENT MILITARY AND CIVILIAN SUPPORT FOR HIS CANDIDACY, HE PICKED HIS CLOSEST ASSOCIATE, INTERIOR MINISTER AND AIR FORCE GENERAL JUAN PEREDA, TO BE HIS CANDIDATE, PROBABLY BELIEVING HE COULD CONTROL PEREDA FROM THE POST OF ARMED FORCES COMMANDER. BUT A SPLIT DEVELOPED BETWEEN BANZER AND PEREDA, AND THE ARMED FORCES HAVE DECIDED THAT BANZER SHOULD GO. CONSEQUENTLY, BANZER UNEXPECTEDLY FINDS HIMSELF IN THE FINAL MONTHS OF A SEVEN-YEAR REIGN, ALTHOUGH HE WILL PROBABLY STAY FOR A WHILE AS ARMED FORCES COMMANDER. WE BELIEVE BANZER WOULD CALL OFF ELECTIONS IF THE MILITARY WOULD LET HIM, BUT PROBABLY ONLY A SMALL BAND OF RIGHTIST DIE-HARDS WOULD SUPPORT SUCH A MOVE. THE RISK OF BANZER'S TRYING TO DERAIL ELECTIONS IS, THEREFORE, NOT SO MUCH THAT IT WOULD SUCCEED, BUT THAT IT
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LA PAZ 04106 01 OF 03 242001Z

WOULD LEAD TO VIOLENCE.

AGAINST THIS BACKDROP, THE MOOD OF THE COUNTRY, 45 DAYS BEFORE ELECTIONS, IS AN UNEASY ONE. MOST BOLIVIANS ARE NOT ENTHUSIASTIC ABOUT ELECTIONS, FEARING THAT A DEMOCRATIC GOVERNMENT WILL BE TOO WEAK TO OVERCOME A HERITAGE OF STORMY CIVILIAN POLITICS, OR HANDLE BOLIVIA'S GROWING ECONOMIC PROBLEMS. THEY FEAR CIVILIAN GOVERNMENT WILL AGAIN BE OVERTHROWN, PLUNGING THE

CONFIDENTIAL

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PAGE 01 LA PAZ 04106 02 OF 03 242017Z

ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 SCS-06 HA-05 GSA-02 AID-05

DLOS-09 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03

NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 OMB-01

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O R 241940Z MAY 78

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INFO SECSTATE WASHDC 902

C O N F I D E N T I A L SECTION 2 OF 3 LA PAZ 4106

NATION BACK INTO VIOLENCE AND INSTABILITY.

WE ARE MORE OPTIMISTIC BECAUSE

--THE EFFECTS OF SEVEN YEARS OF SOCIAL PEACE AND ECONOMIC GROWTH HAVE CREATED MORE INHIBITIONS IN BOLIVIA'S PREVIOUSLY NO-HOLDS-BARRED POLITICAL PROCESS THAN THE BOLIVIANS THEMSELVES RECOGNIZE;

--THE MAJOR PRESIDENTIAL CANDIDATES ARE DECENT AND ABLE MEN, IF NOT CHARISMATIC LEADERS;

--THE BOLIVIAN MILITARY SEEMS COMMITTED TO RETURN TO ELECTED, CIVILIAN RULE;

--THE ECONOMIC PROBLEMS CAN BE MASTERED, IF THE NEXT GOVERNMENT HAS SUFFICIENT COURAGE TO ADOPT A STABILIZATION PROGRAM, AND THEREFORE GET SUBSTANTIAL IMF FINANCING, SHORTLY AFTER ELECTIONS.

YET BOLIVIANS ARE INSTINCTIVELY LACKING IN SELF-CONFIDENCE. YOU CAN HELP A GREAT DEAL WITH THE KIND OF PEP TALK WHICH

CONFIDENTIAL

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PAGE 02 LA PAZ 04106 02 OF 03 242017Z

--COMPLIMENTS THE GOVERNMENT (AND BANZER) FOR THE REMARKABLE HUMAN RIGHTS PROGRESS OF THE LAST SIX MONTHS AND FOR THE COURAGEOUS DECISION TO HOLD ELECTIONS;

--URGES FAIR ELECTIONS;

--ENCOURAGES THE MILITARY TO SUPPORT THE ELECTED GOVERNMENT AND MAINTAIN ITS ADMIRABLE CIVIC ACTION PROGRAMS AND RESTRAINT IN ARMS PURCHASES;

--EXPRESSES AWARENESS OF THE SIGNIFICANT ECONOMIC PROGRESS AND SOCIAL TRANQUILITY OF BOLIVIA;

--INDICATES CONFIDENCE IN BOLIVIA'S FUTURE AND OUR WILLINGNESS TO HELP;

--SHOWS OPENESS IN OUR CONSIDERATION FOR BOLIVIA'S NEEDS (TIN POLICY, AID AND SYMPATHY FOR ACCESS TO SEA ASPIRATIONS IN PARTICULAR). END OVERVIEW.

3. THE KEY PEOPLE YOU WILL MEET ARE THE COMMANDERS OF THE THREE MILITARY SERVICES AND THE DEFENSE MINISTER (BREAKFAST), THE MINISTER OF INTERIOR (WHO IS ALSO ACTING FOREIGN MINISTER), FOUR PRESIDENTIAL CANDIDATES AND SOME KEY POLITICIANS (LUNCH), AND PRESIDENT BANZER HIMSELF. THERE FOLLOW BIOGRAPHIC INFORMATION ON THESE INDIVIDUALS AND ADDITIONAL BACKGROUND AND

TALKING POINTS FOR YOUR VISITS WITH THEM.

4. MAY 26, 8:00 A.M. - BREAKFAST WITH THE SERVICE CHIEFS AND DEFENSE MINISTER.

ARMY COMMANDER MAJOR GENERAL ALPHONSO VILLALPANDO (VEE-YAL-PANDO), 54, IS, AFTER BANZER HIMSELF, BOLIVIA'S MOST POWERFUL MILITARY FIGURE. AS THE COMMANDER OF THE LARGEST AND MOST IMPORTANT SERVICE, HE INFLUENCES THE OTHER SERVICE COMMANDERS. HE IS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LA PAZ 04106 02 OF 03 242017Z

COMPLETELY LOYAL TO PRESIDENT BANZER AND MORE AMBIVALENT ON ELECTIONS AND LEADING PRESIDENTIAL CANDIDATE, GENERAL JUAN PEREDA, THAN THE OTHER SERVICE COMMANDERS. GENERAL VILLALPANDO BELIEVES THAT BOLIVIA MUST MODERNIZE ITS ARMED FORCES, BUT HE IS PRAGMATIC ENOUGH TO REALIZE THAT THE COUNTRY'S SCARCE FINANCIAL RESOURCES ARE A SEVERELY LIMITING FACTOR. DURING HIS RECENT VISIT TO ARGENTINA (MAY 15-21) HE DELIVERED PERHAPS THE MOST STRIDENTLY ANTI-CHILEAN COMMENTS OF ANY BOLIVIAN OFFICIAL SINCE THE BREAK IN DIPLOMATIC RELATIONS. WITH ELECTIONS IN THE OFFING, VILLALPANDO'S ROLE IN THE NEAR FUTURE WILL BE PIVOTAL. HE HAS TOLD THE AMBASSADOR THAT HE IS AWARE OF HIS RESPONSIBILITY TO GUARANTEE ELECTIONS, AND THAT HE WILL DISCHARGE THAT RESPONSIBILITY. HIS FUTURE IS DIFFICULT TO PREDICT. HE COULD RETIRE AT THE END OF 1978. GENERAL VILLALPANDO HAS ALWAYS DEMONSTRATED STRONG FEELINGS OF FRIENDSHIP FOR THE US AND LIVED IN WASHINGTON D.C. AS REPRESENTATIVE ON THE INTER-AMERICAN DEFENSE BOARD.

DEFENSE MINISTER MAJOR GENERAL HUGO BRETTEL (BREH-TEL), FORMER COMMANDER OF THE ARMY ENGINEERS, WAS NAMED DEFENSE MINISTER LAST DECEMBER. HE IS A GRADUATE OF THE US ARMY ENGINEERING SCHOOL AT FORT BELVOIR, AND IS EXTREMELY WELL DISPOSED TOWARD THE UNITED STATES. HE HAS A REPUTATION FOR HONESTY, AND IS INCLINED TO FAVOR STRENGTHENING THE MILITARY'S CIVIC ACTION ROLE, RATHER THAN ITS STRATEGIC CAPABILITY. THE DEFENSE PORTFOLIO IS LESS SIGNIFICANT POLITICALLY THAN THE SERVICE COMMANDERS.

NAVY COMMANDER VICE ADMIRAL GUTENBERG BARROSO (BAR-RO-SO), 50, IS A STAUNCH BANZER LOYALIST BUT SUPPORTS ELECTIONS AND CANDIDATE JUAN PEREDA. LIKE ALL SENIOR BOLIVIAN NAVY OFFICERS, BARROSO BEGAN HIS CAREER IN THE ARMY; HE TRANSFERRED TO THE NEWLY FORMED RIVER AND LAKE FORCES IN 1963. IN POLITICAL DISCUSSIONS, HE TENDS TO SEE OFTEN ILLUSORY THREATS SPRINGING FROM THE "EXTREMISTS" ON THE LEFT. DEMONSTRABLY PRO-BRAZILIAN (HIS PARENTS ARE BRAZILIAN CITIZENS), HE ALSO EXPRESSES FRIENDSHIP FOR THE US, ALLUDING OFTEN TO HIS CLOSE ASSOCIATIONS WITH THE FORMER CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LA PAZ 04106 02 OF 03 242017Z

AND CURRENT US CHIEFS OF NAVAL OPERATIONS, ADMIRALS ZUMWALT AND HOLLOWAY. IN LATE 1977 HE WAS SUCCESSFULLY TREATED FOR A STOMACH AILMENT AT BETHESDA NAVAL HOSPITAL. WITHOUT QUESTION, BARROSO IS THE MOST ADEPT OF THE SENIOR-LEVEL OFFICERS AT PUBLIC RELATIONS. HE MAY BE ANGLING FOR AN AMBASSADORSHIP AFTER ELECTIONS.

AIR FORCE COMMANDER BRIGADIER GENERAL JOSE ANTONIO SEMPERTEGUI (SEM-PER-TE-GEE), 45, FAVORS ELECTIONS AND, LIKE MOST AIR FORCE OFFICERS, SUPPORTS THE PRESIDENTIAL CANDIDACY OF JUAN PEREDA. SOCIABLE AND FRIENDLY, HE HAS ATTENDED US AIR FORCE SCHOOLS AND IS A GRADUATE OF THE INTER-AMERICAN DEFENSE COLLEGE. IN APRIL 1978, HE PARTICIPATED IN THE CONFERENCE OF LATIN AMERICAN AIR FORCE CHIEFS HOSTED BY GENERAL DAVID C. JONES CSAF. GEN. SEMPERTEGUI IS FAVORABLY DISPOSED TOWARD THE US, AND TAKES PRIDE IN HIS ASSOCIATION WITH AMERICANS. THE BOLIVIAN AIR FORCE IS SCHEDULED TO RECEIVE \$8 MILLION IN FMS CREDITS FOR AIRCRAFT ENGINES AND HELICOPTERS; PROVIDED THAT GOB REQUEST FOR SOFTEST TERMS PERMITTED BY US LAW IS APPROVED IN WASHINGTON.

CONFIDENTIAL

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PAGE 01 LA PAZ 04106 03 OF 03 242028Z
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 SCS-06 HA-05 GSA-02 AID-05
DLOS-09 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03
NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 OMB-01
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INFO SECSTATE WASHDC 903

C O N F I D E N T I A L SECTION 3 OF 3 LA PAZ 4106

5. BACKGROUND ON THE BOLIVIAN MILITARY
THE ARMED FORCES UNDER FOUR MILITARY PRESIDENTS, HAVE DOMINATED BOLIVIAN POLITICS FOR THE PAST 14 YEARS. THE POLITICAL ACHIEVEMENT OF TWO PRESIDENTS, AIR FORCE GENERAL RENE BARRIENTOS FROM 1964 TO 1969, AND ARMY GENERAL HUGO BANZER OVER THE PAST SEVEN, WAS TO KEEP THE ARMED FORCES UNITED IN SUPPORT OF THEIR GOVERNMENTS.

TWO OTHERS, ALFREDO OVANDO (1969-70) AND JOSE TORRES (1970-71) WERE UNABLE TO DO THIS AND EACH LASTED ONLY ABOUT A YEAR, THE TORRES TENURE BEING ESPECIALLY CHAOTIC.

THE PERIOD OF GREATEST MILITARY DOMINANCE HAS BEEN THE LAST THREE YEARS UNDER BANZER. ALL BUT TWO CABINET MINISTERS ARE MILITARY, MOST REGIONAL GOVERNORS AND CITY MAYORS ARE MILITARY, AND NUMEROUS GOVERNMENT INSTITUTIONS, INCLUDING THE GIANT MINING CORPORATION AND THE SMELTING CORPORATION, ARE MANAGED BY THE MILITARY. THE TRADITION OF MILITARY GOVERNMENT GOES BACK TO BOLIVIA'S FOUNDING, AND MANY MILITARY OFFICERS ARE EXTREMELY SOPHISTICATED POLITICALLY.

AGAINST THIS BACKGROUND, THE PLAN TO HOLD ELECTIONS AND RETURN TO CIVILIAN CONSTITUTIONAL GOVERNMENT MARKS A MAJOR CHANGE IN THE ARMED FORCES ROLE IN BOLIVIAN SOCIETY. THE NEW GOVERNMENT WILL NOT SURVIVE WITHOUT THE MILITARY'S SUPPORT. MOST OF THE CONFIDENTIAL

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PAGE 02 LA PAZ 04106 03 OF 03 242028Z

MILITARY WERE NOT ENTHUSIASTIC ABOUT ELECTIONS WHEN THEY WERE ANNOUNCED IN NOVEMBER 1977, PARTLY BECAUSE THERE WAS OPPOSITION TO PRESIDENT BANZER'S EXTENDING HIS RULE FOR FOUR YEARS BY HAVING HIMSELF ELECTED PRESIDENT. WHEN BANZER DECIDED NOT TO BE A CANDIDATE, THE MILITARY BEGAN TO ACCEPT THE IDEA OF ELECTIONS. MANY BELIEVED THAT THE ARMED FORCES INSTITUTION WAS BEING DEBILITATED BY ITS EXTENDED GOVERNING RULE; OTHERS BELIEVED THE MILITARY SHOULD NOT BE TOTALLY RESPONSIBLE FOR THE COURSE OF SOCIETY, ESPECIALLY IF THINGS WENT WRONG.

THE FINAL DECISION TO RATIFY HOLDING ELECTIONS OCCURRED IN A DRAMATIC MEETING OF LARGE AND SMALL UNIT COMMANDERS ON APRIL 3-5. REBUFFING EFFORTS BY PRESIDENT BANZER TO SEEK ELECTION POSTPONEMENT THE YOUNG OFFICERS OUTVOTED THE LESS NUMEROUS SENIOR OFFICERS, DECIDING TO GO FORWARD WITH THE ELECTIONS AND TO SUPPORT THE PRESIDENTIAL CANDIDACY OF AIR FORCE COMMANDER JUAN PEREDA. THE SUPPORT FOR PEREDA WAS NOT MADE PUBLIC BUT IT IS AN OPEN SECRET.

NOT ALL MILITARY OFFICERS FAVOR ELECTIONS, AND SOME DO NOT SUPPORT PEREDA, CONSIDERING HIM TOO WEAK A LEADER TO GOVERN EFFECTIVELY. GENERALLY, THE MILITARY ARE PROUD OF THE PROGRESS BOLIVIA HAS MADE UNDER BANZER AND THEY ARE ANXIOUS TO ASSURE THAT STABLE AND PROGRESSIVE GOVERNMENT CONTINUE. THEY ARE ESPECIALLY FEARFUL OF A RADICAL LEFTIST GOVERNMENT SUCH AS OCCURRED UNDER TORRES. ALTHOUGH THE ARMED FORCES HAVE DECLARED THEY WILL ACCEPT THE RESULTS OF THE COMING ELECTIONS, WHOEVER WINS WILL HAVE TO SATISFY THEM THAT HE IS CAPABLE OF GOVERNING AND THAT HIS POLICIES WILL BE IN BASIC HARMONY WITH THOSE OF THE BANZER PERIOD.

AS THE ARMED FORCES PREPARE TO RETURN TO THE BARRACKS, THEY
HAVE BEGUN TO DISPLAY GROWING CONCERN ABOUT THEIR ABILITY
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LA PAZ 04106 03 OF 03 242028Z

TO DEFEND BOLIVIA'S BORDERS. WITH THE BREAKDOWN OF THE
SEA-OUTLET TALKS AND THE RUPTURE OF DIPLOMATIC TIES,
TENSION BETWEEN BOLIVIA AND CHILE HAS INCREASED DRAMATICALLY.
SOME IN THE MILITARY PROFESS TO FEAR CHILE WILL SOON ATTACK BOLIVIA
FOR
ITS NATURAL RESOURCES; THERE IS MORE WIDESPREAD FEAR THAT
BOLIVIA MAY BECOME EMBROILED IN A PERU-CHILE CONFLICT SOMETIME
DURING THE HUNDREDTH ANNIVERSARY OF THE WAR OF THE PACIFIC
(1978-1883). AS A RESULT OF THESE FEARS, THERE ARE
INDICATIONS THAT THE ARMED FORCES ARE BEGINNING TO PRESS FOR
A RELAXATION OF PRESIDENT BANZER'S POLICY OF RESTRAINT
ON ARMS PURCHASES. BOTH PRESIDENT BANZER AND WHOEVER WINS THE
ELECTION WILL FIND IT DIFFICULT TO RESIST THESE PRESSURES.
INCREASED BOLIVIAN ARMS EXPENDITURES, COUPLED WITH THE RECENT
MORE BELLIGERENT ATTITUDE TOWARD CHILE WOULD CONTRIBUTE TO
REGIONAL TENSIONS.

OUR RELATIONSHIP WITH THE MILITARY HAS BEEN CLOSE, BUT
HAS DECLINED WITH THE REDUCTION IN SECURITY ASSISTANCE PROGRAMS.
MOST SENIOR MILITARY OFFICERS HAVE HAD SOME TRAINING IN THE US
(INCLUDING BANZER), THEY LIKE THE US, AND LOOK TO IT AS THE
LEADER OF THE NON-COMMUNIST WORLD. WHILE UNEASY ABOUT THE
HUMAN RIGHTS AND OTHER FOREIGN POLICIES OF THE USG, THEY ARE
SUSCEPTIBLE TO PERSUASION AND SEE BOLIVIA'S DESTINY AS TIED TO
THE US. OUR ABILITY TO EXERT POSITIVE INFLUENCE ON THE MILITARY
WILL DEPEND IN LARGE PART ON OUR RESPONSIVENESS TO SOME OF THEIR
PERCEIVED INTERESTS. THE FOLLOWING TALKING POINTS ARE
KEYED TO THESE MAJOR AREAS OF MILITARY INTEREST.

DEMOCRATIZATION

--THE ARMED FORCES DESERVE HIGH PRAISE FOR THEIR PLEDGE
TO GUARANTEE THE ELECTORAL PROCESS AND SUPPORT THE NEW
CONSTITUTIONAL GOVERNMENT.

--AT THE SAME TIME, THEY SHOULD FEEL JUSTLY PROUD OF THEIR
STABILIZING INFLUENCE DURING THE PAST SEVEN YEARS, A FACTOR
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PAGE 04 LA PAZ 04106 03 OF 03 242028Z

WHICH IN NO SMALL WAY HAS CONTRIBUTED TO BOLIVIA'S UNPRECEDENTED
ECONOMIC DEVELOPMENT.

REGIONAL STABILITY

--WE DO NOT SHARE THE BELIEF OF MANY BOLIVIANS THAT A PERU/CHILE CONFLICT OR A CHILEAN ATTACK ON BOLIVIA IS LIKELY. WE APPLAUD THE POLICY OF DIPLOMATIC NEGOTIATIONS WHICH BOLIVIA HAS FOLLOWED IN PURSUING ITS INTERNATIONAL INTERESTS, INCLUDING ITS ROLE IN THE UN AND OAS. WE HOPE THAT CONDITIONS WILL SOON PERMIT RESUMPTION OF PEACEFUL NEGOTIATIONS WITH CHILE AND PERU REGARDING BOLIVIA'S ASPIRATIONS FOR A SEA OUTLET. WE HOPE A RESOLUTION OF THAT PROBLEM CAN OCCUR WHICH IS MUTUALLY SATISFACTORY TO THE THREE COUNTRIES.

ARMS PURCHASES

--THE ARMED FORCES RESTRAINED ATTITUDE TOWARD WEAPONS PURCHASES HAS HELPED TO KEEP REGIONAL TENSIONS REDUCED. THE STRESS ON NATION-BUILDING AND CIVIC ACTION PROGRAMS HAS CONTRIBUTED SIGNIFICANTLY TO BOLIVIA'S DEVELOPMENT. SHOULD BOLIVIA SHIFT PRIORITIES AND BEGIN SUBSTANTIAL WEAPONS PURCHASES, REGIONAL TENSIONS WOULD INCREASE.

--AT THE SAME TIME, WE RECOGNIZE BOLIVIA'S NEED TO REPLACE OUTMODED EQUIPMENT, AND WITHIN OUR LIMITATIONS, ARE PREPARED TO DO WHAT WE CAN TO HELP.

--BOLIVIA'S REQUEST FOR THE LOWEST POSSIBLE INTEREST RATE AND 12-YEAR TERMS ON THE FY 78 FMS CREDITS (\$14 MILLION--\$6M FOR HOSPITAL EQUIPMENT AND \$8M FOR AIRCRAFT SPARE PARTS AND HELICOPTERS) IS CURRENTLY UNDER REVIEW IN WASHINGTON. WE WILL TRY
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 LA PAZ 04106 03 OF 03 242028Z

TO BE AS HELPFUL AS WE CAN.

END OF PART I

PART II ON MEETINGS WITH ACTING FOREIGN MINISTER, PRESIDENTIAL CANDIDATES, AND PRESIDENT BANZER TO FOLLOW.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAPAZ04106
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780219-0821
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780525/aaaaaujk.tel
Line Count: 482
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9360c397-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 128540
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2590004
Secure: OPEN
Status: NATIVE
Subject: UNDER SECRETARY NEWSOM'S VISIT TO BOLIVIA - PART I
TAGS: OVIP, PINR, BL, (NEWSOM, DAVID D)
To: BUENOS AIRES
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9360c397-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014